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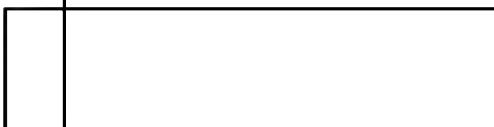
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FAR EAST

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2. Indian diplomat criticizes US policies in Far East:

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Indian Ambassador R. K. Chettur in Tokyo, [redacted] recently blamed the present world situation on "increasing American intransigence."

Expressing approval of the May Day Communist riots, Chettur stated that American policy in Japan was likely to lead to serious internal and international consequences. He also charged that American indecision and vacillation in the Korean truce talks "has changed the fundamental terms of the negotiations," resulting in a loss of prestige for the United States.

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Western diplomats in Tokyo believe that Chettur is seeking support in Japan for Indian groups which favor a compromise with the Soviet Union.

Comment: Chettur is one of several leftist Indian diplomats who exert anti-American influence on Prime Minister Nehru. He reportedly has aroused the resentment of the Japanese Government for his open support of the left-wing Socialists, a minority party which favors strict neutrality for Japan and bitterly opposes the Japanese Peace Treaty terms and the US-Japan Security Treaty.

NEAR EAST - AFRICA

3. Mossadeq likely to obtain parliament's approval for his program:

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The Acting Governor of the Iranian National Bank now believes that Mossadeq will be able to persuade parliament to pass the financial legislation necessary for the government to continue. The economic counselor of the American Embassy predicts that Mossadeq could carry on for a year or more if he could also persuade Parliament to authorize him to use 45,000,000 to 50,000,000 dollars of the gold currency reserve.

Comment: Mossadeq has insisted that he could not continue as Prime Minister unless he were first assured of parliamentary support for the reforms which he considers necessary if Iran is to be deprived indefinitely of its oil revenues. His program is expected to include electoral changes, expansion of the note issue, reduction of the number of government employees and increased taxes.

The recent Majlis and Senate recommendation that Mossadeq remain as Prime Minister suggests that he stands a good chance of persuading parliament to adopt his program.

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4. Turkey prepared to approach Arabs on Middle East defense:

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[Redacted]

Turkish Foreign Minister Koprulu believes that Turkey is the best qualified of the Allied powers to approach the Arab countries with respect to the proposed Middle East Defense

Organization. As an alternative, he suggests that the power with the most influence in each Arab country make the initial contact.

Koprulu states that a major problem is the possibility that the Arab governments might insist on first discussing the proposed organization in the Arab League. Under such circumstances, he believes the Western defense proposals would "get nowhere."

Comment: The Turks have previously expressed concern that attempts by Britain and France to strengthen their influence in the Arab area might jeopardize acceptance of the Middle East defense plan. Turkey has also indicated that it will cooperate in promoting a stronger defense of the area, but that it believes the Anglo-Egyptian impasse is a serious block to the establishment of a defense organization.

EASTERN EUROPE

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6. Yugoslav leaders worried over change in Soviet tactics:

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Yugoslav leaders reluctantly admit that during the past six months a significant change in the tactics of the Orbit toward Yugoslavia has become evident. This change is characterized by a reduction of pressure from the East, a softening in the attitude of Cominform diplomats abroad, and a "tendency of the Cominform countries at the Moscow Economic Conference to show a pretended desire for cooperation with Yugoslavia."

Yugoslav leaders explain these developments as an effort to remove a rallying point for Yugoslav unity and to isolate Yugoslavia from the West by fostering the myth that the Yugoslav-Cominform break is not irreparable.

Comment: Yugoslav fears of the effects of Moscow's new policy were illustrated in a recent speech by Marshal Tito in which he accused Moscow of attempting "to create a gap in Yugoslav-Western relations" by spreading false rumors of collusion between the Kremlin and Belgrade.

The relatively mild though essentially negative attitude of Orbit delegates toward Yugoslav demands during the recently adjourned sixth meeting of the Danubian Commission lends substance to the Yugoslav thesis.

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WESTERN EUROPE

7. Allied Commander plans to surrender civil authority to Italian official in Trieste:

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[Redacted]

General Winterton, Allied Commander of Zone A of Trieste, states that he now intends to surrender his authority over those civil affairs assigned to the Italian director of administration under the London agreement. He has reversed his earlier position because he feels it would be "politically impossible" to resist for any length of time Italian encroachment on the Zone Commander's power.

The American Political Adviser in Trieste notes that Winterton's behavior since his return from London on 28 June suggests that he may have orders from the Foreign Office to allow the Italians de facto control of the zone.

Comment: The United States and Britain have assured Yugoslavia that the Zone A Commander will retain final authority under the London agreement. An abdication of Winterton's powers now would reinforce Yugoslav fears that there has been a secret agreement giving Italy political control of Zone A and would probably provoke renewed protests from Belgrade. It would also make the negotiation of any Yugoslav-Italian settlement of the Trieste issue more unlikely.

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